



**Statement of the
National Council of Farmer Cooperatives**

**Regarding
The Future of Specialty Crops for Small Family Farmers
from a Cooperative Perspective**

**By Rich Hudgins
President and CEO, California Canning Peach Association
Council Member, National Council of Farmer Cooperatives**

**Submitted to the
Subcommittee on Rural Development, Entrepreneurship, and Trade
Committee on Small Business
U.S. House of Representatives**

**Heath Shuler, Chairman
Blaine Luetkemeyer, Ranking Member**

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Chairman Shuler, Ranking Member Luetkemeyer and members of the Subcommittee, my name is Rich Hudgins, and I am President and CEO of the California Canning Peach Association (CCPA), a grower-owned marketing and bargaining cooperative which represents nearly 500 growers who produce 80 percent of the nation's canned peach supply. I am also a Council Member of the National Council of Farmer Cooperatives (NCFC), and serve as Chair of NCFC Fruit, Vegetable & Nut Subcommittee. On behalf of my California cling peach grower members, and more broadly of the more than two million farmers and ranchers who belong to one or more farmer cooperatives, thank you for continuing to engage on issues affecting U.S. agriculture, as many of us in agriculture operate small businesses and deal with the same issues as those outside of agriculture who own small businesses.

I appreciate this opportunity to submit testimony regarding issues facing the specialty crop industry, and respectfully request that this statement be made part of the official hearing record.

Since 1929, NCFC has been the voice of America's farmer cooperatives. Our members are regional and national farmer cooperatives, which are in turn composed of nearly 3,000 local farmer cooperatives across the country. NCFC members also include 26 state and regional councils of cooperatives. Farmer cooperatives allow individual farmers the ability to own and lead organizations that are essential for continued competitiveness in both the domestic and international markets.

America's farmer-owned cooperatives provide a comprehensive array of services for their members. These diverse organizations handle, process and market virtually every type of agricultural commodity. They also provide farmers with access to infrastructure necessary to manufacture, distribute and sell a variety of farm inputs. Additionally, they provide credit and related financial services, including export financing.

Established in 1922, the California Canning Peach Association is the nation's oldest farm bargaining association. As a farm cooperative, the CCPA is owned and directed by its grower-members and dedicated to serving their needs with a variety of services. Our average member grows just 40 acres of peaches and typically farms other tree crops as well. Most importantly, the CCPA provides the leadership that safeguards the profitability and success of California's processing peach industry.

The California Canning Peach Association is the only organization dedicated exclusively to improving the welfare of cling peach growers and the strength of California's cling peach industry. From pricing issues to legislative concerns, the CCPA provides its members with the best means available to positively influence their futures.

What is a farmer cooperative?

Farmer cooperatives are businesses owned and controlled by farmers, ranchers, and growers. They contribute to a vibrant rural economy, providing jobs for over 250,000 Americans. Farmer cooperatives offer the best opportunity for our nation to realize the

farmer-focused ideal of enduring, competitive agricultural industry. Through their cooperatives, farmers are empowered, as elected board members, to make decisions affecting the current and future activities of the cooperative.

Farmer cooperatives exist for the mutual benefit of their farmer members with earnings returned on a patronage basis. For example, a farmer member who accounts for 10 percent of the volume of corn delivered to the cooperative would receive a patronage dividend equal to 10 percent of the earnings derived from the handling, processing, marketing, and sale of corn. Such patronage dividends help boost the income of farmers directly or by reducing the effective cost of the goods and services provided.

Many of the issues before Congress are the issues that have the potential to impact farmer cooperatives, and especially the future of the specialty crop industry. Those issues include climate change, immigration and labor, food safety, and pensions, as well as water, international trade, tax issues, and farm bill implementation.

Climate Change

While NCFC supports an energy policy that maximizes a role in energy independence for American agriculture, farmer cooperatives and their member-owners are very concerned that a carbon reduction program will result in higher business costs, including those related to energy, fuel, and fertilizer. The wide range of commodities and value-added products marketed by farmer co-ops include some of which are produced under energy-intensive circumstances; many others may be import-sensitive or rely on a strong export market. If the only recourse is to pass along increased costs to the consumer in the form of higher priced goods, American agriculture risks losing even more of its competitive edge in the global market place.

NCFC's membership is broad and diverse, geographically and by commodity, and our membership includes a number of cooperatives that market various specialty crops, both fresh and processed. To date, there is very little data on the potential gains or impacts this diverse agricultural sector may face from a cap-and-trade program. Production of many fruits, vegetables, and tree nuts is resource intensive involving considerable investment in inputs. It is unclear if, or how, specialty crop producers will benefit from an agricultural offsets program. We recommend that any revenues generated by allowances allocated to U.S. Department of Agriculture (USDA) would be for transitional assistance to those operations not able to benefit from an offset program under cap and trade for whatever reason, and are therefore bearing only the costs of GHG reduction in the U.S. Such funds could also be used for research and development of further low cost GHG reducing or mitigating practices in agriculture.

The specialty crop industry is also concerned because those agricultural products with the least opportunity to participate in an offset market will have the highest sensitivity to competition from international competitors not subject to emissions reductions standards. For example, the biggest competition U.S. specialty crop producers face comes from China and South America. Legislation should not give overseas producers an unfair

competitive advantage due to the fact that they do not have to comply with emissions reduction goals. Furthermore, any measures adopted to address these competitiveness concerns must also be WTO legal and not threaten possible retaliatory trade sanctions.

Immigration

Farmer cooperatives and their farmer and rancher members must have access to an adequate, dependable, and flexible labor force in order to ensure their continued competitiveness in the international marketplace. This need is felt acutely by the specialty crop industry, where seasonal laborers are vital at very specific times to perform the skilled jobs of picking, sorting, and packing fruits and vegetables. As part of the broad Agriculture Coalition for Immigration Reform (ACIR), NCFC has long been an advocate for a responsive temporary guest worker program, along with enhancements for the H2A program.

We must recognize that thousands of U.S. family farmers who provide this country with the lowest-cost, safest, and most reliable food supply in the world need an immigration policy which permits temporary guest workers to pick our fruits and vegetables, milk our cows, and perform all other jobs that are being filled today by workers who lack legal status. Just as we cannot have a thriving Wall Street while Main Street suffers, we cannot have a thriving Main Street in rural America if more of our food production is forced to relocate outside the borders of the U.S. Simply put, our fruits and vegetables are going to continue being picked by foreign workers. The question for Members of Congress is whether that harvest will take place in our country or in a foreign country. President Obama made the issue of energy independence one of the cornerstones of his campaign. Would it not be ironic if we developed a new strategy for energy independence only to find ourselves more reliant on something even more vital to our country than oil—our nation's food supply?

The Agricultural Job Opportunity, Benefits, and Security Act of 2009 (also known as AgJOBS) has been introduced in the House (H.R. 2414) by Congressmen Howard Berman (D-CA) and Adam Putnam (R-FL). The bill seeks to provide immigration reform for agriculture and embodies the core principles supported by NCFC. Without action the consequences for agriculture include an estimated \$9 billion in annual agricultural production lost to foreign competition. We encourage Congress to seek an approach that includes a reliable verification system, adequate transition provisions, and a usable guest worker program that accommodates modern agriculture, including year-round livestock and dairy operations as well as farms with seasonal labor needs.

Food Safety

America's farmer cooperatives have a large stake in producing, handling, and processing our nation's food supply, and take pride in providing the most safe, abundant, and affordable food in the world. NCFC supports science-based, risk-based enhancements to our nation's food safety system. But some of the policies put forward in the bill recently passed by the Energy and Commerce Committee, the Food Safety Enhancement Act of

2009 (H.R. 2749), are overly burdensome, duplicative, and may not actually result in a safer food supply. We appreciate the many changes that have already been incorporated into the bill, and the work that the Members of the Energy and Commerce Committee have done to make it more feasible for agriculture—but we continue to have several concerns with the bill.

Our first concern is that Congress is contemplating a requirement that all facilities register with the Food and Drug Administration (FDA) annually, and pay a fee of \$500 per domestic or foreign facility, not to exceed \$175,000 per company per year. Especially for farmer cooperatives and other small businesses, any facility registration fee is onerous, and in the case of farmer cooperatives, is a direct tax on cooperative farmer members.

Another concern with the bill is FDA's access to business records. The Food Safety Enhancement Act of 2009 dramatically expands FDA's access to facility records and expressly encompasses farms in the records access requirement. The bill must provide protections against unauthorized disclosure by FDA of proprietary or confidential business information to which the agency gains access when reviewing the contents of written food/feed safety plans and other records.

Farm Bill Implementation

NCFC strongly supported passage of the 2008 Farm Bill to meet the needs of U.S. producers; ensure the long-term viability, health, and competitiveness of U.S. agriculture; and help meet domestic and international food, fiber, feed, and energy needs. The 2008 Farm Bill also made a precedent-setting investment in programs that are of significant benefit to specialty crop producers. The bill dedicates approximately \$3 billion in funding for specialty crop, pest and disease, trade, nutrition, research, and conservation priorities. We remain focused on the lengthy implementation process ongoing at USDA and encourage Congress to appropriate funds as directed by the bill.

Of particular interest to NCFC's specialty crop members, the Farm Bill provided funding for the Market Access Program (MAP). MAP provides matching government funds to help U.S. producers, farmer cooperatives, and other trade organizations promote U.S. agricultural products overseas. Cooperatives and their farmer-owners benefit directly when new markets are opened to their products, or when market share is gained in existing markets. The increased profits of the cooperative flow back to the farmer-owners in increased dividends, boosting their income from beyond the farm gate. USDA data show that every dollar invested in foreign trade translates into \$16 in additional exports. Studies also show that every additional billion dollars in agricultural exports creates 17,000 new U.S. jobs, which makes MAP a jobs program. We encourage Congress to continue supporting the Market Access Program and the ability of cooperatives to directly participate in the program.

While many U.S. specialty crops are very reliant on foreign markets, clearly trade is a two-way proposition when it comes to the fruit, vegetable, and tree nut industries as

international competition is increasing both in foreign markets and in the U.S. For example, our industry looks to take advantage of foreign markets as exports of U.S. canned peaches in 2008 stood at about 1.3 million cases. Meanwhile, U.S. imports of canned peaches have continued to grow to roughly 4.2 million cases in 2008, with more than half of this volume coming from China. I highlight this because all of the issues that I've discussed in my testimony—climate change, immigration, food safety—and how they are addressed will potentially have very large implications for U.S. agriculture's competitiveness, both in the U.S. and throughout the world.

Pension

Many farmer cooperatives sponsor defined benefit pension plans for their employees. Because of the collapse of the stock market, plans that were fully funded just one year ago are now facing huge shortfalls. For many of our cooperatives, pension funding obligations will more than double in the next two years. Such funding requirements are staggering and will result in cooperatives laying off employees, freezing benefits, and postponing investments in order to fund their pension plans. Legislative action is needed immediately as organizations are making funding and employment decisions now for the coming year. Cooperatives are not asking for a bailout from pension funding obligations, but merely for a longer time horizon to meet those obligations. I urge that the Committee support legislation providing funding relief to sponsors of both multiple-employer and single-employer defined benefit pension plans.

Tax

On the tax front, I would like to draw the Committee's attention to a recently introduced bill, H.R. 2739. (An identical bill, S. 1641, has been introduced in the Senate.) The bill attempts to bring fairness to the tax code by extending the bonus depreciation provided in the stimulus bill to growers of trees, vines and nuts. Under the stimulus bill signed into law in February, property acquired and placed in service in 2009 is eligible for "bonus" depreciation – an additional first year depreciation deduction equal to 50 percent of the basis in the property. However, permanent crops such as trees and vines that are planted in 2009 are not considered "placed in service" until the harvest of their first commercially harvestable crop. In most cases, it takes significantly longer than a year before these permanent crops produce their first commercially harvestable crop and, therefore, these crops (even though planted in 2009) are not eligible for bonus depreciation.

H.R. 2739 would extend bonus depreciation to plantings occurring in 2009. Because 2009 tree and vine plantings are already completed, growers may not be able to take advantage of this beneficial provision. NCFC would support making this provision permanent and not limiting it to 2009 plantings.

Water

I can hardly talk about the future of specialty crop production in California without talking about water, which is truly a threat facing California agriculture. California is

experiencing the worst drought in almost fifty years. We also face what many are calling a “regulatory drought” do to recent actions taken to protect the Delta Smelt, which is listed as endangered under the federal Endangered Species Act. Hundreds of millions of dollars in crop losses have already occurred due to water supply cut-backs, as land has been left fallow or converted for development or other uses. Without further action to address expanded water storage and water conveyance facilities, the California farmer may join the Delta Smelt as an endangered species!

Child Nutrition Reauthorization

This year, the Child Nutrition Act must be reauthorized. NCFC supports increasing consumption of all fruits and vegetables, without pitting one form of fruit or vegetable against the other, in the National School Lunch Program, the School Breakfast Program, and the WIC program. Sound science and the *Dietary Guidelines* do not distinguish between fresh, canned, dried, or frozen fruits or vegetables, and we encourage Congress not to make a distinction either. Congress’ efforts are especially important to the individuals, families, and children who rely on federal nutrition programs.

Children who participate in the school feeding programs are among the population at highest risk for childhood obesity, malnutrition, and other health problems associated with a poor diet. Often, the fruits and vegetables they receive through these federal programs are the only access some individuals have to healthy foods, or in some cases, food at all. We can start now to form a culture of fruit and vegetable consumption, which will lead to a healthier future for all sectors of society, and in turn reduce future health care costs for our nation.

NCFC looks forward to working with Congress to provide more healthy fruits, vegetables, and nuts in many forms for federal nutrition programs.

In conclusion, thank you again for the opportunity to testify today before the Subcommittee. There are a number of important issues before Congress, many of which would have a lasting impact on whether small family farms are able to stay in business and producing fruits, vegetables, and tree nuts for the U.S. and the world. We appreciate your attention to these issues and urge you to continue to preserve our cooperatives’ abilities to produce our nation’s food, feed, and fiber.